



ECONOMIC IMPACT OF THE MARYLAND MINORITY BUSINESS ENTERPRISE PROGRAM

Fiscal Year 2014

Martin O'Malley
Governor

Anthony G. Brown
Lt. Governor

Carmina Perez-Fowler
Acting Special Secretary



FY2014 ECONOMIC IMPACT OF THE MARYLAND MINORITY BUSINESS ENTERPRISE PROGRAM

Introduction

The Department of Business and Economic Development (DBED), in collaboration with the Governor's Office of Minority Affairs (GOMA), has estimated direct, secondary and total economic impacts resulting from procurement payments made through the Minority Business Enterprise (MBE) Program for FY2014. The direct economic benefits represent payments to MBEs by 70 State agencies and departments across Maryland. The businesses supporting the operations of the minority business enterprises, in turn, must increase their own transactions – produce, restock inventories and transport – to meet the demands of the principal enterprises. These backward supplier effects are identified as indirect impacts. The increased worker payrolls associated with these direct and indirect economic activities are then largely spent on household consumer items. This forward spending and the resultant increases in economic activity are identified as induced impacts. All indirect and induced economic impacts of the MBE Program are estimated based on spending patterns from the IMPLAN economic model for the State.¹

MBE Payments by Classification

In FY2014, payments to MBEs totaled \$2.1 billion, including \$1.08 billion in prime contract payments, representing 51% of all payments, and \$1.03 billion in subcontract payments, accounting for 49% of the payments (Exhibits 1 and 2).

- \$547.6 million was spent on goods and services procured from women-owned enterprises, representing 26% of all expenditures. Women-owned MBEs received 16.3% of all prime contract payments and 36.1% of subcontract payments in FY2014.
- African American MBE firms were paid a total of \$436.7 million or 20.7% of the total. The bulk of these expenditures (82.6%) were subcontract payments. Within subcontract payments, African American MBE accounted for 35.1% of payments. African American women-owned MBEs accounted for 9.8% of all payments to African-American companies or 2% of all payments statewide.
- Asian American-owned MBEs were paid \$280 million or 13.3% of total payments. Asian American women companies received \$33.1 million of those payments.

¹ IMPLAN System (2012 data and version 3.1 software), IMPLAN Group, LLC, 16740 Birkdale Commons Parkway Suite 206, Huntersville, NC 28078 www.implan.com

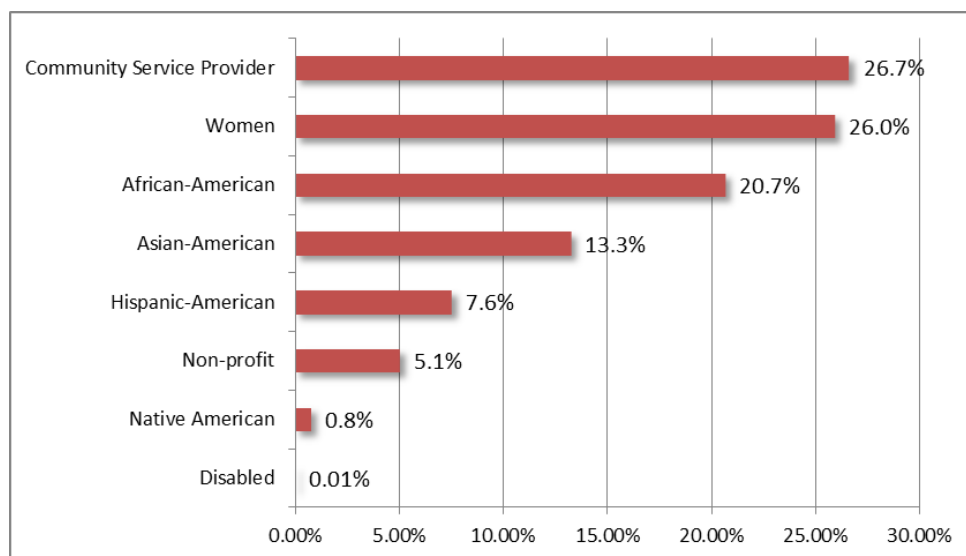
- Payments to Hispanic American-owned establishments were \$159.4 million or 7.6% of the total. Hispanic American women companies received \$6.3 million of those payments.
- Native American firms received \$16.5 million or 0.8% of all payments.
- Payments to community service providers were \$562.2 million or 26.7% of the total. Non-profit firms received \$106.6 million or 5.1% of all procurement payments.
- MBE procurement payments to firms owned by individuals with disabilities totaled \$300,770.

Exhibit1: FY2014 Distribution of MBE Payments by Classification

	Prime Contract			Subcontracts			All Contracts	
	Payments	% of Class	% of Prime Contracts	Payments	% of Class	% of Sub-contracts	Payments	% of Total Payments
Total African-American	75,920,969	17.4%	7.0%	360,793,042	82.6%	35.1%	436,714,012	20.7%
<i>African-American</i>	61,194,317	15.5%	5.7%	332,686,102	84.5%	32.3%	393,880,419	18.7%
<i>African-American Women</i>	14,726,652	34.4%	1.4%	28,106,941	65.6%	2.7%	42,833,593	2.0%
Total Asian-American	100,268,482	35.8%	9.3%	179,787,533	64.2%	17.5%	280,056,015	13.3%
<i>Asian-American</i>	81,494,694	33.0%	7.5%	165,468,783	67.0%	16.1%	246,963,477	11.7%
<i>Asian-American Women</i>	18,773,788	56.7%	1.7%	14,318,749	43.3%	1.4%	33,092,537	1.6%
Total Hispanic-American	60,645,506	38.0%	5.6%	98,753,595	62.0%	9.6%	159,399,101	7.6%
<i>Hispanic-American</i>	56,667,100	37.0%	5.2%	96,405,353	63.0%	9.4%	153,072,453	7.3%
<i>Hispanic-American Women</i>	3,978,406	62.9%	0.4%	2,348,242	37.1%	0.2%	6,326,648	0.3%
Total Native American	394,043	2.4%	0.0%	16,140,447	97.6%	1.6%	16,534,491	0.8%
<i>Native American</i>	354,857	2.3%	0.0%	15,228,640	97.7%	1.5%	15,583,497	0.7%
<i>Native American Women</i>	39,187	4.1%	0.0%	911,807	95.9%	0.1%	950,994	0.0%
Women	175,832,303	32.1%	16.3%	371,810,628	67.9%	36.1%	547,642,931	26.0%
Disabled	238,988	79.5%	0.0%	61,781	20.5%	0.0%	300,770	0.0%
Nonprofit Organization	105,499,399	99.0%	9.8%	1,101,588	1.0%	0.1%	106,600,987	5.1%
Community Service Provider	561,871,474	99.9%	52.0%	373,699	0.1%	0.0%	562,245,173	26.7%
TOTAL	1,080,671,165	51.2%	100.0%	1,028,822,314	48.8%	100.0%	2,109,493,479	100.0%

Source: Governor's Office of Minority Affairs

Exhibit 2: FY2014 Distribution of MBE Payments by Classification



Source: Governor's Office of Minority Affairs

MBE Procurements by Jurisdiction

Exhibit 3 shows the value and distribution of MBE procurement payments by jurisdiction for FY2014. Payments from MBEs in Baltimore County totaled \$469.3 million or 22.2% of all procurement payments, the largest share among all Maryland jurisdictions. MBEs in Baltimore City with \$269.2 million, or 12.8% of the total, received the second largest share followed by Howard County (\$236.8 million or 11.2%), Anne Arundel (\$223.7 million or 10.6%), Montgomery County (\$221.2 million or 10.5%) and Prince George's (\$190.4 million or 9%). Together, these six jurisdictions accounted for 76% of all MBE payments in FY2014. A total of \$198.4 million or 9.4% of all payments were spent on goods and services supplied by out-of-state MBEs.

Exhibit 3: FY2014 Distribution of MBE Payments by Jurisdiction

Jurisdiction	Prime Contracts			Subcontracts			All Contracts	
	Payments	% of Jurisdictions	% of Total Prime Payments	Payments	% of Jurisdictions	% of Total Subcontracts Payments	Payments	% of Total Payments
Alleganey	9,976,549	68.7%	0.9%	4,543,646	31.3%	0.4%	14,520,195	0.7%
Anne Arundel	149,602,295	66.9%	13.8%	74,052,380	33.1%	7.2%	223,654,675	10.6%
Baltimore County	182,921,407	39.0%	16.9%	286,424,028	61.0%	27.8%	469,345,435	22.2%
Baltimore City	138,188,371	51.3%	12.8%	131,091,867	48.7%	12.7%	269,280,239	12.8%
Calvert	10,851,259	84.5%	1.0%	1,986,472	15.5%	0.2%	12,837,731	0.6%
Caroline	12,283,233	100.0%	1.1%	0	0.0%	0.0%	12,283,233	0.6%
Carroll	17,278,552	48.1%	1.6%	18,643,994	51.9%	1.8%	35,922,546	1.7%
Cecil	7,940,495	100.0%	0.7%	0	0.0%	0.0%	7,940,495	0.4%
Charles	9,388,166	69.2%	0.9%	4,179,580	30.8%	0.4%	13,567,745	0.6%
Dorchester	6,702,619	91.4%	0.6%	634,389	8.6%	0.1%	7,337,007	0.3%
Frederick	12,151,000	55.1%	1.1%	9,897,080	44.9%	1.0%	22,048,080	1.0%
Garrett	3,812,698	95.1%	0.4%	198,370	4.9%	0.0%	4,011,068	0.2%
Harford	10,892,085	15.2%	1.0%	60,729,737	84.8%	5.9%	71,621,822	3.4%
Howard	144,062,219	60.8%	13.3%	92,797,843	39.2%	9.0%	236,860,062	11.2%
Kent	0	0.0%	0.0%	502,673	100.0%	0.0%	502,673	0.0%
Montgomery	137,781,098	62.3%	12.7%	83,381,172	37.7%	8.1%	221,162,270	10.5%
Prince George's	96,265,349	50.6%	8.9%	941,669,064	49.4%	9.2%	190,432,256	9.0%
Queen Anne's	6,945,407	73.0%	0.6%	2,564,888	27.0%	0.2%	9,510,295	0.5%
Somerst	11,546,478	99.1%	1.1%	109,014	0.9%	0.0%	11,655,492	0.6%
St. Mary's	4,866,995	68.1%	0.5%	2,284,293	31.9%	0.2%	7,151,289	0.3%
Talbot	4,327,060	92.5%	0.4%	353,014	7.5%	0.0%	4,680,074	0.2%
Washington	25,015,382	85.9%	2.3%	4,099,746	14.1%	0.4%	29,115,127	1.4%
Wicomico	17,181,289	58.9%	1.6%	11,984,584	41.1%	1.2%	29,165,873	1.4%
Worcester	2,588,121	70.0%	0.2%	1,110,368	30.0%	0.1%	3,698,489	0.2%
Other	2,577,745	91.4%	0.2%	242,117	8.6%	0.0%	2,819,862	0.1%
Outside MD	55,525,291	28.0%	5.1%	142,844,154	72.0%	13.9%	198,369,444	9.4%
TOTAL	1,080,671,165	51.2%	100.0%	1,028,822,314	48.8%	100.0%	2,109,493,479	100.0%

Source: Governor's Office of Minority Affairs

Economic Impact of MBE Procurements in Maryland

Maryland MBE procurement payments in FY2014 totaled \$2.1 billion. A total of \$1.9 billion or 90.6% was spent on goods and services paid to in-state MBEs. In-state expenditures helped support 22,128 direct full-time equivalent jobs, \$917.3 million in direct wages and salaries, and about \$67.4 million in selected direct State and local tax receipts (Exhibit 4). The secondary impacts of the MBE Program, or the economic spin-off, include \$1.5 billion in expenditures, 10,949 jobs, \$510.7 million in wages and salaries, and about \$37.1 million in State and local tax revenues.

The total economic impact of the MBE Program – sum of the direct and secondary impacts – amounted to \$3.4 billion in expenditures, 33,077 jobs, \$1.4 billion in wages and salaries, and about \$104.5 million in State and local tax revenues. Every \$1 million of State funds allocated to the MBE Program helped support a total of nearly 16 full-time equivalent jobs and \$49,540 in state and local tax receipts throughout Maryland. The MBE Program generated a total of \$1.62 in total economic impact per dollar of State procurement expenditures.

Exhibit 4: FY2014 Economic Impact of MBE Procurements in Maryland

	Direct	Secondary	Total
Expenditures (\$millions)	\$1,911.1	\$1,502.3	\$3,413.4
Per \$1 of MBE Procurements	\$0.91	\$0.71	\$1.62
Employee Wages & Salaries (\$millions)	\$917.3	\$510.7	\$1,427.9
Average Annual Wage	\$41,453	\$46,642	\$43,170
Employment (FTEs)	22,128	10,949	33,077
Per \$1 million of MBE Procurements	10.5	5.2	15.7
State Tax Receipts (\$millions)	\$49.7	\$27.0	\$76.7
Sales and Use Tax	\$22.4	\$11.2	\$33.6
Personal Income Tax	\$27.3	\$15.8	\$43.1
Local Income Surtax (\$millions)	\$17.7	\$10.1	\$27.8
State and Local Tax Receipts (\$millions)	\$67.4	\$37.1	\$104.5
Per \$1 million of MBE Procurements	\$31,933	\$17,607	\$49,540

Sources: Governor's Office of Minority Affairs, DBED Office of Research and Information Services, IMPLAN 2012

Exhibit 5 summarizes total economic impact data by contract category. MBE procurement payments on prime contracts within Maryland was \$1.02 billion in FY2014, representing 95% of total spending on prime contracts and 54% of all in-state spending for both prime contracts and subcontracts. Local expenditures on prime contracts resulted in an overall economic impact of \$1.86 billion, helped support a total of 20,995 jobs and produced an estimated \$58 million in selected State and local tax receipts.

MBE procurement spending on subcontracts within Maryland totaled \$886 million, representing 86% of the total in-state and out-of-state spending on subcontracts and 46% of all in-state expenditures. These expenditures resulted in an overall economic impact of \$1.5 billion, supported a total of 12,082 jobs and generated an estimated \$46.3 million in selected State and local tax receipts.

Exhibit 5: FY2014 Economic Impact of MBE Procurements in Maryland by Contract Category

	PRIME		SUBCONTRACT		ALL CONTRACTS	
	Direct	Total	Direct	Total	Direct	Total
Expenditures	\$1,025.1	\$1,863.1	\$886.0	\$1,550.3	\$1,911.1	\$3,413.4
Per \$1 of MBE Procurements	\$0.49	\$0.88	\$0.42	\$0.73	\$0.91	\$1.62
Employee Wages & Salaries	\$520.4	\$800.6	\$396.8	\$627.3	\$917.3	\$1,427.9
Employment (FTEs)	14,839	20,995	7,289	12,082	22,128	33,077
Per \$1 million of MBE Procurements	7.0	10.0	3.5	5.7	10.5	15.7
State Tax Receipts	\$28.4	\$43.2	\$21.3	\$33.5	\$49.7	\$76.7
Sales and Use Tax	\$14.0	\$20.2	\$8.4	\$13.4	\$22.4	\$33.6
Personal Income Tax	\$14.4	\$23.0	\$12.9	\$20.1	\$27.3	\$43.1
Local Income Surtax	\$9.3	\$14.8	\$8.2	\$12.7	\$17.7	\$27.8
State and Local Tax Receipts	\$37.7	\$58.0	\$29.5	\$46.3	\$67.4	\$104.5
Per \$1 million of MBE Procurements	\$17,854	\$27,483	\$13,974	\$21,926	\$31,933	\$49,540

Sources: Governor's Office of Minority Affairs, DBED Office of Research and Information Services, IMPLAN 2012